

## **Opening Statement Before Congress Regarding The California Energy Crisis**

My name is Thomas E. White. I am appearing here voluntarily to answer questions the Committee may have with respect to its investigation regarding the California energy marketplace in 2000 and 2001.

Since May 2001, I have been privileged to serve as Secretary of the Army. From July 1990 until that date, I was employed by Enron Corporation. For many years, I ran various businesses that involved physical assets including gas pipelines and power stations. Beginning in April 1998, I brought that experience to a start-up retail energy business called Enron Energy Services, or EES, where I was assigned the duties of Vice Chairman until February 2001.

Enron was divided into a number of business units which changed as energy markets evolved over the years. With respect to the California energy market in 2000 and 2001, it is important to understand that the Energy Services was always entirely separate from the wholesale business run by Enron Wholesale Services. EES was strictly a retail energy operation of national and international scope that sold commodity, capital and energy services to end users of energy. Those products included both gas and electricity, were both short and long-term, and were sold to small and large customers located throughout the United States and the UK. To give you a feel for the scope of EES's operation, when I departed, it had somewhere in the neighborhood of 4,000 people in its energy service delivery operation alone. They included customer account representatives, call center operators, metering and billing specialists, mechanical and electrical subcontractors, energy efficiency design engineers and facility managers. EES had in place the structure and organization on a nationwide basis to deliver its diverse energy product. My day-to-day duties included overseeing this service delivery organization.

The common thread in all the retail energy products sold was the lowering of total energy costs to our customers. EES achieved this by buying energy at better prices than could be achieved by our customers, and by reducing the energy consumption of its customers through the application of engineering and operations expertise.

Enron Wholesale Services was a much larger operation than EES. Among other things, it had a huge trading operation which facilitated its sale of energy at the wholesale level. EES was a buyer of energy and was a participant in California's power market because it had retail customers, retail load, if you will, that it was contractually obligated to serve. EES's interest was to serve that load at the lowest possible cost and to reduce the need for the electricity through demand reduction measures. As a retail seller of electricity, it was always in EES's interest to purchase the electrons EES was required to deliver to its customers at the lowest possible price. EES shopped in the market for the best possible price, which in many cases was provided by a third party and not an Enron wholesale energy affiliate. In this regard, the interests of EES were entirely different from those of Enron Wholesale Services; it always operated on a strictly arms-length basis with Enron Wholesale that reflected its different business interests.

I was never aware of or read the memos on alleged trading strategies at Wholesale Services that have been discussed in previous hearings held by this Committee until copies of these memos were sent to me when they were made public by the FERC several months ago. I never worked for Wholesale Services and I was never involved in its trading operations, and so I cannot testify with respect to how those operations were conducted. I can say categorically that it was not ever in the interest of EES to see wholesale energy prices escalate.

While I was employed in the private sector, I carried out my responsibilities in an

entirely ethical manner, just as I did over the 28 years that I served my country in the Army. I decided to return to the government as Army Secretary with the sole goal of attempting to help the Army and to make it a better place for soldiers and their families. Since last May I have done everything possible to advance the interests of the Country and the Army I love, and I am proud of what has been accomplished since then by the courageous, dedicated men and women who serve to protect this great nation. It has been an honor to be involved in their effort.

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions.